Waterberg District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	Waterberg District Municipality s a district municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Members of Council	
Executive Mayor	S.M. Mataboge
Speaker	K.S. Lamola
Chief Whip	M.A. Tsebe
Mayoral Committee member	T.A. Mashamaite
Mayoral Committee member	F. Hlungwane
Mayoral Committee member	M.P. Sebatjane
Mayoral Committee member	R.M. Radebe
Mayoral Committee member	K.R. Mokwena
Mayoral Committee member	M.R. Boloka
MPAC Chairperson	N. S Montane
Councillor	D.E. De Beer
Councillor	M.J. Gumede
Councillor	K. C Khotsa
Councillor	N. Laubscher
Councillor	S.C. Majoko
Councillor	N.S. Monyamane
Councillor	C.C.S. Motsepe
Councillor	S.R. Mphahlele
Councillor	M.B Baloyi
Councillor	CF.Z. Esply
Councillor	B.N. Magongwa
Councillor	R.D. Mampeule
Councillor	B.S. Marema
Councillor	R. Maropeng
Councillor	B. Mocke
Councillor	M.T. Mogale
Councillor	P. Molekwa
Councillor	T.E. Monama
Councillor	R.N. Monene
Councillor	L.K. Satege
Councillor	M.J. Selokela
Councillor	S.C.G. Senosha
Councillor	M.S.Tefu
Councillor	M.S. Thobane
Councillor	K.H Niewenhuis
Grading of district municipality	Grade 4
Accounting Officer	P. Raputsoa
Acting Chief Financial Officer	C.P. Hoffman
Registered office	44 Harry Gwala Street Modimolle

General Information

	Limpopo 0510
Business address	44 Harry Gwala Street Modimolle Limpopo 0510
Postal address	Private Bag X1018 Modimolle Limpopo 0510
Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Published	30 October 2020

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IFRS	International Financial Reporting Standards
GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
WEDA	Waterberg Economic Development Agency
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5-73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

P. Raputsoa
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net deficit of the municipality was R 17 889 015 (2019: deficit R 9 904 680).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer was appointed on 03 August 2020. The Minister of Finance exempted municipalities and municipal entities from submitting key reports due to the pandemic, COVID-19. The notice allows for a two-months delay in the submission of Annual Financial Statements, Annual reports, Audit opinions, Oversight reports and asssociated processes.

4. Corporate governance

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

5.1 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

5.2 Audit committee

Adv. JL Thubakgale was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality’s audit committee who are not councillors of the municipality onto the audit committee.

5.3 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

5. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

6. Auditors

The municipality is audited by the Auditor-General of South Africa

Statement of Financial Position as at 30 June 2020

	Note(s)	2020	2019
Assets			
Current Assets			
Cash and cash equivalents	3	72 567 105	91 200 034
Trade and other receivables from exchange transactions	4	80 192	54 978
Receivables from non-exchange transactions	5	499 368	5 660 859
Inventories	6	-	106 467
VAT receivable	7	801 808	4 172 955
		73 948 473	**101 195 293**
Non-Current Assets			
Property, plant and equipment	8	94 132 321	76 058 942
Intangible assets	9	1 861 706	1 753 202
Non-current receivables	10	54 777	54 777
		96 048 804	**77 866 921**
Non-Current Assets		96 048 804	77 866 921
Current Assets		73 948 473	101 195 293
Total Assets		**169 997 277**	**179 062 214**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	12 267 304	9 913 614
Payables from non-exchange transactions	12	14 878 728	12 669 653
Consumer deposits	13	2 000	2 000
Employee benefit obligation	15	704 942	728 992
Unspent conditional grants and receipts	14	134	134
Long service award liability	16	727 187	510 933
		28 580 295	**23 825 326**
Non-Current Liabilities			
Employee benefit obligation	15	23 966 637	26 162 441
Long service award liability	16	3 388 278	3 499 835
		27 354 915	**29 662 276**
Non-Current Liabilities		27 354 915	29 662 276
Current Liabilities		28 580 295	23 825 326
Total Liabilities		**55 935 210**	**53 487 602**
Assets		169 997 277	179 062 214
Liabilities		(55 935 210)	(53 487 602)
Net Assets		**114 062 067**	**125 574 612**
Accumulated surplus		114 062 067	125 574 612

* See Note 43

Statement of Financial Performance

	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Service charges		887 814	929 198
Interest earned - External investments	17	7 252 986	10 575 486
Interest earned - Receivables	17	42	169
Other income	18	59 895	69 987
Actuarial gains	20	5 796 892	875 379
Total revenue from exchange transactions		**13 997 629**	**12 450 219**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	134 435 752	126 109 594
Transfers	22	-	4 141 150
Total revenue from non-exchange transactions		**134 435 752**	**130 250 744**
Total revenue from exchange transactions		13 997 629	12 450 219
Revenue from non-exchange transactions		134 435 752	130 250 744
Total revenue		**148 433 381**	**142 700 963**
Expenditure			
Employee related costs	23	(103 944 748)	(89 920 988)
Bad debts written off	24	(2 000 000)	-
Remuneration of councillors	25	(8 239 465)	(8 058 317)
Depreciation and amortisation	26	(7 079 377)	(5 109 026)
Impairment of assets	19	(1 277 770)	-
General Expenses	28	(38 367 036)	(44 084 233)
Project expenditure	29	(5 107 347)	(5 433 079)
Loss on disposal of assets and liabilities		(306 653)	-
Total expenditure		**(166 322 396)**	**(152 605 643)**
Operating surplus/deficit		-	-
Deficit before taxation		(17 889 015)	(9 904 680)
Taxation		-	-
Deficit for the year		**(17 889 015)**	**(9 904 680)**

* See Note 43

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2018	**135 479 293**	**135 479 293**
Deficit for the year	(9 904 680)	(9 904 680)
Net Surplus (Deficit) for the year	(9 904 680)	(9 904 680)
Opening balance as previously reported	113 050 080	113 050 080
Adjustments		
Correction of errors - note 41	12 610 528	12 610 528
Change in deficit on performance	6 290 474	6 290 474
Restated* Balance at 01 July 2019 as restated*	**131 951 082**	**131 951 082**
Net Surplus / (Deficit) for the year	(17 889 015)	(17 889 015)
Adjusted corrections	(6 377 352)	(6 377 352)
Balance at 30 June 2020	**114 062 067**	**114 062 067**

* See Note 43

Cash Flow Statement

	Note(s)	2020	
Cash flows from operating activities			
Receipts			
Sale of goods and services		887 814	929 198
Grants		134 441 000	117 385 295
Interest income - Investments		7 307 803	10 575 655
Other receipts		101 630	69 987
		142 738 247	128 960 135
Payments			
Employee costs		(112 689 532)	(96 319 213)
Suppliers		(28 186 993)	(46 884 082)
		(140 876 525)	(143 203 295)
Total receipts		142 738 247	128 960 135
Total payments		(140 876 525)	(143 203 295)
Net cash flows from operating activities	31	**1 861 722**	**(14 243 160)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(20 164 243)	(26 143 608)
Purchase of other intangible assets	9	(330 450)	(42 771)
Decrease/(Increase) in Held-to-maturity investments		-	34 584 686
Net cash flows from investing activities		**(20 494 651)**	**8 398 476**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(18 632 929)**	**(5 844 853)**
Cash and cash equivalents at the beginning of the year		91 200 034	97 044 887
Cash and cash equivalents at the end of the year	3	**72 567 105**	**91 200 034**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	2 165 957	(889 053)	**1 276 904**	887 814	**(389 090)**	
Other income	35 401	-	**35 401**	59 895	**24 494**	
Interest earned - Investments	8 420 800	-	**8 420 800**	7 252 986	**(1 167 814)**	Lower interest rates earmed as result of lower investment being held with the financial institution
Interest earned - Other	-	-	**-**	42	**42**	Due to pandemic debtors got outstanding debt for 30 days
Total revenue from exchange transactions	**10 622 158**	**(889 053)**	**9 733 105**	**8 200 737**	**(1 532 368)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	133 249 000	1 192 000	**134 441 000**	134 435 752	**(5 248)**	Received additional funding due to COVID-19
'Total revenue from exchange transactions'	10 622 158	(889 053)	**9 733 105**	8 200 737	**(1 532 368)**	
'Total revenue from non-exchange transactions'	133 249 000	1 192 000	**134 441 000**	134 435 752	**(5 248)**	
Total revenue	**143 871 158**	**302 947**	**144 174 105**	**142 636 489**	**(1 537 616)**	
Expenditure						
Employee related costs	(105 474 703)	(3 108 914)	**(108 583 617)**	(103 944 748)	**4 638 869**	Not all vacancies filled due to COVID-19
Remuneration of councillors	(8 655 794)	(1 282 361)	**(9 938 155)**	(8 239 465)	**1 698 690**	
Depreciation and amortisation	(6 706 710)	-	**(6 706 710)**	(7 079 377)	**(372 667)**	
Impairment loss/ Reversal of impairments	-	(1 300 000)	**(1 300 000)**	(1 277 770)	**22 230**	
Bad debts written off	-	-	**-**	(2 000 000)	**(2 000 000)**	
Project expenditure	(9 682 340)	513 968	**(9 168 372)**	(5 107 347)	**4 061 025**	Incomplete projects.Projects were halted due to COVID-19

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(39 764 966)	2 273 900	**(37 491 066)**	(38 367 036)	**(875 970)**	COVID-19 and cost containment measures were implemented
Total expenditure	**(170 284 513)**	**(2 903 407)**	**(173 187 920)**	**(166 015 743)**	**7 172 177**	
	143 871 158	302 947	**144 174 105**	142 636 489	**(1 537 616)**	
	(170 284 513)	(2 903 407)	**(173 187 920)**	(166 015 743)	**7 172 177**	
Operating deficit	**(26 413 355)**	**(2 600 460)**	**(29 013 815)**	**(23 379 254)**	**5 634 561**	
Loss on disposal of assets and liabilities	-	-	**-**	(306 653)	**(306 653)**	
Actuarial gains/losses	-	-	**-**	5 796 892	**5 796 892**	
	-	**-**	**-**	**5 490 239**	**5 490 239**	
	(26 413 355)	(2 600 460)	**(29 013 815)**	(23 379 254)	**5 634 561**	
	-	-	**-**	5 490 239	**5 490 239**	
Deficit before taxation	**(26 413 355)**	**(2 600 460)**	**(29 013 815)**	**(17 889 015)**	**11 124 800**	
Surplus before taxation	(26 413 355)	(2 600 460)	**(29 013 815)**	(17 889 015)	**11 124 800**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(26 413 355)**	**(2 600 460)**	**(29 013 815)**	**(17 889 015)**	**11 124 800**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	117 000	-	**117 000**	-	**(117 000)**	No inventory on hand at year end
Receivables from non-exchange transactions	1 800 000	-	**1 800 000**	501 763	**(1 298 237)**	
VAT receivable	-	-	**-**	801 808	**801 808**	
Consumer debtors	-	-	**-**	80 192	**80 192**	
Cash and cash equivalents	108 000 000	-	**108 000 000**	112 997 929	**4 997 929**	Additional funding received for COVID-19
	109 917 000	**-**	**109 917 000**	**114 381 692**	**4 464 692**	
Non-Current Assets						
Property, plant and equipment	82 425 000	12 092 000	**94 517 000**	94 132 321	**(384 679)**	
Intangible assets	1 850 000	-	**1 850 000**	1 861 706	**11 706**	
Non-current receivables	-	55 000	**55 000**	54 777	**(223)**	
	84 275 000	**12 147 000**	**96 422 000**	**96 048 804**	**(373 196)**	
Non-Current Assets	109 917 000	-	**109 917 000**	114 381 692	**4 464 692**	
Current Assets	84 275 000	12 147 000	**96 422 000**	96 048 804	**(373 196)**	
Total Assets	**194 192 000**	**12 147 000**	**206 339 000**	**210 430 496**	**4 091 496**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	20 500 000	**20 500 000**	28 931 722	**8 431 722**	Fire figthing claims not resolved at year end
Taxes and transfers payable (non-exchange)	982 000	-	**982 000**	14 878 728	**13 896 728**	
Consumer deposits	2 000	-	**2 000**	2 000	**-**	
Employee benefit obligation	-	-	**-**	704 942	**704 942**	Budgeted whole amount on non-current portion
Unspent conditional grants and receipts	-	-	**-**	134	**134**	Rounding difference
Long service award liability	-	-	**-**	727 187	**727 187**	Budgeted whole amount on non-current portion
	984 000	**20 500 000**	**21 484 000**	**45 244 713**	**23 760 713**	
Non-Current Liabilities						
Employee benefit obligation	25 251 000	-	**25 251 000**	23 966 637	**(1 284 363)**	Budget includes current portion

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Long service award liability	4 000 000	-	**4 000 000**	3 388 278	**(611 722)**	Budget includes current portio
	29 251 000	**-**	**29 251 000**	**27 354 915**	**(1 896 085)**	
	984 000	20 500 000	**21 484 000**	45 244 713	**23 760 713**	
	29 251 000	-	**29 251 000**	27 354 915	**(1 896 085)**	
	-	-	**-**	-	**-**	
Total Liabilities	**30 235 000**	**20 500 000**	**50 735 000**	**72 599 628**	**21 864 628**	
Assets	194 192 000	12 147 000	**206 339 000**	210 430 496	**4 091 496**	
Liabilities	(30 235 000)	(20 500 000)	**(50 735 000)**	(72 599 628)	**(21 864 628)**	
Net Assets	**163 957 000**	**(8 353 000)**	**155 604 000**	**137 830 868**	**(17 773 132)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	163 957 000	(8 353 000)	**155 604 000**	137 830 868	**(17 773 132)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated.

1.1 Presentation currency

These annual annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash-generating assets (if applicable)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Value in use of non-cash-generating assets
The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. The municipality has no assets of cultural, environmental or historical significance and therefore no heritage assets.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on cost minus the residual value, using the straight line basis over their expected useful lives to their estimated residual value. Land, heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Buildings and facilities	Straight line	10 to 60
Plant and equipment	Straight line	5 to 25
Furniture and fixtures	Straight line	5 to 37
Motor vehicles	Straight line	3 to 15
Office equipment	Straight line	4 to 36
IT equipment	Straight line	4 to 10
Emergency equipment	Straight line	5 to 10
Specialised vehicles	Straight line	5 to 16

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance.The municipality has classified computer software as intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

1.6 Intangible assets (continued)

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation charge for each period is recognised in surplus or deficit.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	4 to 40 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.8 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.8 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the effect of item 1 & 2 above on accumulated surplus.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.11 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

An entity shall assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exits, the entity shall estimate the recoverable service amount of the asset. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairement loss

Once it is determined that there is a potential impairment loss, a formal estimate of the recoverable service amount is to be made by the entity. The recoverable service amount is determined to be the higher of a non-cash generating assets fair value less costs to sell and it value in use. The value in use is the present value of the assets remaining service potential

On inspection of the fixed asset register for the 2020 financial year it was noted that certain movable assets determined to be in an unfavourable condition for future use and were recorded at balances in terms of their carrying values in the fixed asset register that did not accurately reflect their recoverable service potential. These assets were assessed for impairement by comparing their carrying amounts as at 30 June 2020 to their estimated recoverable service potential amounts and an impairment loss was determined and recognised as per GRAP 21 requirements.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

1.12 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

- an entity's decision to terminate an employee's employment before the normal retirement date; or

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.13 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as well as future commitments relating to operating leases.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Recognition

An inflow of resources from a exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect .of the same inflow

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue from exchange transaction is measured at the amount of the increase in net assets recognised by the municipality

When, as a result of exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably

Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, on a time proportion basis in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

1.17 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by a municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

1.22 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

1.26 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statments are prepared on the accrual basis of accounting.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991)

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2017/2020 annual financial statements.

GRAP 34: Separate Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges

The objective of the Directive is to prescribe the transitional provisions for the adoption of Standards of GRAP by CET colleges. Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector. As a result, the Directive should be read in conjunction with the applicable Standards of GRAP.

The Directive prescribes the transitional provisions to be applied by CET colleges established in terms of the Continuing Education and Training Act, Act No. 16 of 2006 (as amended).

The effective date of the directive is for years beginning on or after 01 April 2019.

The municipality has adopted the directive for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality has adopted the guideline for the first time in the 2019/2020 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the guideline is not material.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality has adopted the amendment for the first time in the 2018/2020 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2018/2020 annual financial statements.

The impact of the amendment is not material.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2018/2020 annual financial statements.

The impact of the amendment is not material.

Directive 7 (revised): The Application of Deemed Cost

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2019.

The municipality has adopted the directive for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is not material.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is not material.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is not material.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the amendment is not material.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is not material.

GRAP 107: Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the amendment is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

IGRAP 11: Consolidation – Special purpose entities

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality has adopted the interpretation for the first time in the 2020/2020 annual financial statements.

The impact of the interpretation is not material.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

2. **New standards and interpretations (continued)**

The municipality has adopted the interpretation for the first time in the 2020/2020 annual financial statements.

The impact of the interpretation is not material.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2020/2020 annual financial statements.

The impact of the interpretation is not material.

IGRAP 19: Liabilities to Pay Levies

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is not material.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	4 562 105	4 181 176
Short-term deposits	68 000 000	87 013 858
	72 567 105	**91 200 034**

Short-term deposits

Call deposits	18 000 000	17 013 857
60 Days fixed deposits	-	10 000 000
90 Days fixed deposits	-	20 000 000
35 Days fixed deposits	10 000 000	-
	40 000 000	40 000 000

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - Current account: 4086264236	3 368 855	3 077 233	11 756 839	4 491 640	3 090 340	11 786 793
ABSA Bank - 6 Months investment: 2075332567	-	-	10 000 000	-	-	10 025 756
ABSA Bank - Call account: 4089054729	18 108 745	17 000 000	10 941 885	18 000 000	17 013 857	11 870 431
Petty cash	5 000	-	-	5 000	5 000	5 003
ABSA Bank - 62 Days investment: 2077431816	-	-	11 000 000	-	-	11 002 176
ABSA Bank - 32 Days investment: 2076504028	-	-	10 000 000	-	-	10 039 616
NEDBANK - 63 Days investment: 03/7497571214/000223	-	-	11 000 000	-	-	11 043 879
STANDARD BANK - 91 Days investment: 728855100-033	-	-	10 000 000	-	-	10 168 416
STANDARD BANK - 90 Days investment: 728855100-034	-	-	11 000 000	-	-	11 030 127
STANDARD BANK - 95 Days investment: 728855100-035	-	-	10 000 000	-	-	10 072 660
FIRST NATIONAL BANK - 182 days 74773060526	20 000 000	20 000 000	-	20 000 000	20 000 000	-
NEDBANK - 182 Days investment: 03/7497571214/000230	-	20 000 000	-	-	20 000 000	-
NEDBANK - 91 Days investment: 03/7497571214/000232	-	10 000 000	-	-	10 000 000	-
NEDBANK - 91 Days investment: 03/7497571214/000231	-	10 000 000	-	-	10 000 000	-
STANDARD BANK - 62 Days investment: 728855100-044	-	10 013 856	-	-	10 000 000	-
Absa - Growbus 40-9881-8724	70 465	-	-	70 465	-	-
NEDBANK - 182 Days 03/7497571214/000243	20 000 000	-	-	20 000 000	-	-
NEDBANK - Accrued interest	-	-	-	-	1 090 837	-
STANDARD BANK - 62 Days 728855100-052	10 000 000	-	-	10 000 000	-	-
Total	**71 553 065**	**90 091 089**	**95 698 724**	**72 567 105**	**91 200 034**	**97 044 857**

4. Other receivables from exchange transactions

	2020	2019
Gross balances		
Abattoir	76 676	51 462
Other receivables - councillor salaries	3 516	3 516
	80 192	**54 978**
Less: Allowance for impairment		
Abattoir	-	-
Other receivables - councillor salaries	-	-
	-	**-**

	2020	2019

4. Other receivables from exchange transactions (continued)

Net balance

Abattoir	76 676	51 462
Other receivables - councillor salaries	3 516	3 516
	80 192	**54 978**

Abattoir

Current (0 -30 days)	75 345	51 462
31 - 60 days	4 847	-
	80 192	**51 462**

Other receivables - councillor salaries

> 365 days	3 516	3 516

Other receivables pledged as security

No other receivables were pledged as security.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

5. Receivables from non-exchange transactions

Sundry debtors	129 576	91 222
Waterberg Economic Development Agency	-	3 152 668
Thabazimbi Local Municipality	-	2 000 000
Accrued interest - bank	362 194	416 969
Accrued interest - municipal account	7 598	-
	499 368	**5 660 859**

We have accrued interest on our investment accounts at year end.

The local municipality previously charged WDM interest incorrectly. It was resolved subsequent to year end and to correct by reversing the interest on the WDM account.

6. Inventories

Consumable stores	-	106 467
Inventories write-downs / (reversal of write-down)	-	-
	-	**106 467**

Consumables:

The municipality inventory consists of stationery which are purchased in bulk and stock take conducted at year end. Stock take was conducted and determined that no inventory was on hand as at year ending 30 June 2020.

Consumables:

Opening balance	106 467	105 348
Additions	-	731 677
Disposals	(106 467)	(730 339)
	-	106 467

Notes to the Annual Financial Statements

	2020	2019

7. VAT

VAT receivable	801 808	4 172 955

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statments are prepared on the accrual basis of accounting.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

8. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Buildings	38 623 441	(13 706 418)	24 917 023	38 744 108	(12 958 549)	25 785 559
Plant and machinery	5 926 114	(2 241 639)	3 684 475	5 419 735	(2 372 581)	3 047 154
Motor vehicles	76 704 842	(20 979 211)	55 725 631	58 528 496	(20 894 529)	37 633 967
Office equipment	14 048 691	(5 608 999)	8 439 692	15 018 504	(6 791 742)	8 226 762
Total	**136 668 588**	**(42 536 267)**	**94 132 321**	**119 076 343**	**(43 017 401)**	**76 058 942**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Change in estimate**	**Derecognition - Cost**	**Derecognition - Accumulated depreciation**	**Depreciation**	**Impairment loss**	**Total**
Land	1 365 500	-	-	-	-	-	-	1 365 500
Buildings	25 785 559	-	693 624	(120 667)	19 439	(1 212 851)	(248 081)	24 917 023
Plant and machinery	3 047 154	556 684	693 883	(49 889)	45 683	(627 836)	(36 426)	3 684 475
Motor vehicles	37 633 967	18 729 571	3 488 154	(553 225)	460 442	(3 434 134)	(909 810)	55 725 631
Office equipment	8 226 762	450 604	1 501 691	(1 420 418)	1 311 983	(1 582 610)	(83 454)	8 439 692
	76 058 942	**19 736 859**	**6 377 352**	**(2 144 199)**	**1 837 547**	**(6 857 431)**	**(1 277 771)**	**94 132 321**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019 - Restated

	Opening balance	Difference	Additions	Reclassification	Correction of error	Depreciation	Total
Land	1 365 500	-	-	-	-	-	1 365 500
Buildings	26 846 082	-	-	-	(83 116)	(977 407)	25 785 559
Plant and machinery	2 654 914	**(198 030)**	-	198 364	870 028	(478 122)	3 047 154
Motor vehicles	14 365 113	-	25 547 985	-	-	(2 279 131)	37 633 967
Office equipment	3 423 488	**198 030**	595 623	(198 364)	5 136 682	(928 698)	8 226 761
	48 655 097	**-**	**26 143 608**	**-**	**5 923 594**	**(4 663 358)**	**76 058 941**

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets on an annual basis. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, were found.

Reconciliation of Work-in-Progress 2020

	Opening balance	Included in motor vehicles	Total
Motor vehicles	24 879 582	14 468 340	39 347 922

Reconciliation of Work-in-Progress 2019

	Additions	Total
Motor vehicles	24 879 582	24 879 582

Expenditure incurred to repair and maintain property, plant and equipment

8. Property, plant and equipment (continued)

Derecognition of assets

In terms of GRAP 17 , the carrying amount of an item of property, plant and equipment shall be derecognised either on disposal (inclusive of disposal through a non-exchange transaction) or when no future economic benefits or service potential is expected from the use or disposal of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognised (unless GRAP 13 requires otherwise on a sale and leaseback).

A physical asset verification exercise was conducted during March and June 2020 where assets were identified as being in a condition that economic benefits are no longer expected to flow to the municipality and therefore these were written off and derecognised from the fixed asset register.

Work in progress

The Municipality has acquired vehicles that are still in the process of bing modified to become fully operational fire figthing vehicles. The first portions of equipment has been fitted however there are remaining major components still in the process of being imported by the service provider.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 890 011	(2 028 305)	1 861 706	3 559 561	(1 806 359)	1 753 202

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 753 202	330 450	(221 946)	1 861 706

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 906 122	42 771	(195 691)	1 753 202

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets on an annual basis. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets.

10. Non-current receivables

Description		
Water and electricity	2 025	2 025
Office rentals	32 750	32 750
Telephone	20 000	20 000
	54 775	**54 775**

Notes to the Annual Financial Statements

	2020	2019

10. Non-current receivables (continued)

Deposit water and electricity

These are deposits paid for water and electricity services, rental of office space in Mokopane and Thabazimbi for environmental health officials and VOIP telephone.

11. Payables from exchange transactions

Trade payables	2 571 221	3 675 866
Retentions	256 410	184 429
Accruals	9 439 673	6 053 319
	12 267 304	**9 913 614**

12. Payables from non-exchange transactions

Accruals for leave	12 869 920	10 849 848
Accruals for bonuses	2 008 808	1 819 805
	14 878 728	**12 669 653**

The fair value of other payables approximates their carrying amounts.

13. Consumer deposits

Abattoir	2 000	2 000

Guarantees held in lieu of abattoir deposits.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural Road Assets Management Sytems Grant	134	134

See note 21 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

15. Employee benefit obligations

Defined benefit plan

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.

The following are defined contribution plans:
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:
- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by David Mureriwa on behalf of One Pangaea Expertise and Solutions (Pty) Ltd.David has over 15 years working experience in the Actuarial Consulting Business within the SADCC region and have a B.Sc. Mathematics (First Class Honours) UZ.He has worked in Corporate Life, Pensions and Investments in Namibia and South Africa. David is a qualified
actuary and is a Fellow of the Institute and Faculty of Actuaries in United Kingdom as well as a Fellow of the Actuarial Society of South Africa.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Notes to the Annual Financial Statements

	2020	2019

15. Employee benefit obligations (continued)

Movement in the employee healthcare benefit liability:

	2020	2019
Carrying value		
Opening balance	(26 891 433)	(24 977 889)
Medical contributions subsidies for continuation pensioners	728 992	642 745
Current service costs	(1 455 734)	(1 279 015)
Current interest costs	(2 803 897)	(2 387 469)
Actuarial (gain) loss over financial year	5 750 493	1 110 195
Unfunded accrued liability as at 30 June	**(24 671 580)**	**(26 891 433)**

	2020	2019
Non-current liabilities	(23 966 637)	(26 162 441)
Current liabilities	(704 942)	(728 992)
	(24 671 579)	**(26 891 433)**

	2020	2019
The liability as at 30 June consists of:		
In-service (employee) members	(15 971 577)	(17 404 337)
Continuation members	(7 838 817)	(8 598 563)
In-service (employee) non-members	(861 186)	(888 533)
	(24 671 580)	(26 891 433)

Net expense recognised in the the effect of item 1 & 2 above on accumulated surplus

	2020	2019
Current service cost	1 455 734	1 279 015
Interest cost	2 803 897	2 387 469
Actuarial (gains) losses	(5 750 493)	(1 110 194)
	(1 490 862)	**2 556 290**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	13.25 %	10.57 %
Medical cost trend rates	8.97 %	7.91 %

Average remaining future working lifetime 14.33 years

Notes to the Annual Financial Statements

15. Employee benefit obligations (continued)

Defined benefit obligation

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Medical inflation rate

	One percentage point increase	One percentage point decrease
	-	-
Accrued liablity	28 235 903	21 718 695
Current service cost	1 723 160	1 454 419
Interest cost	3 694 340	2 831 241

Discount rate

	One percentage point increase	One percentage point decrease
	-	-
Accrued liability	28 069 443	21 885 958
Current service cost	1 698 123	1 234 120
Interest cost	3 395 329	3 068 522

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	24 671 579	26 891 434	24 977 888	23 164 165	23 051 093

16. Long service award liability

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by David Mureriwa on behalf of One Pangaea Expertise and Solutions (Pty) Ltd.David has over 15 years working experience in the Actuarial Consulting Business within the SADCC region and have a B.Sc. Mathematics (First Class Honours) UZ.He has worked in Corporate Life, Pensions and Investments in Namibia and South Africa. David is a qualified
actuary and is a Fellow of the Institute and Faculty of Actuaries in United Kingdom as well as a Fellow of the Actuarial Society of South Africa.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

	2020	2019

16. Long service award liability (continued)

	2020	2019
Movement in the long-service award liability:		
Liability as at 01 July	4 010 768	3 391 616
Benefits paid	(510 933)	(243 149)
Current service cost	360 854	349 322
Interest	301 175	278 164
Actuarial losses / (gains) recognised in Statement of Financial Performance	(46 399)	234 815
Unfunded accrued liability as at 30 June	**4 115 465**	**4 010 768**
Current portion of liability as at 30 June	727 187	510 933
Non-current portion of liability as at 30 June	3 388 278	3 499 835
	4 115 465	**4 010 768**
Expense recognised in (profit) or loss:		
Current service cost	360 854	349 322
Interest cost	301 175	278 164
Actuarial losses / gains	(46 399)	234 815
	615 630	**862 301**

Principal actuarial assumptions of valuation model used:

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.19 %	8.02 %
Medical cost trend rates	3.44 %	5.34 %

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.63% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percentage point increase	**One percentage point decrease**
Accrued liability	4 317 575	3 928 066
Current service costs	379 090	338 460
Interest costs	284 291	256 286

Amounts for the current and previous four years are as follows:

	2020 R	**2019 R**	**2018 R**	**2017 R**	**2016 R**
Defined benefit obligation	4 115 465	4 010 768	3 391 616	3 088 366	2 863 535

Notes to the Annual Financial Statements

	2020	2019

17. Interest earned

Interest revenue		
Abattoir services	42	169

Interest revenue		
Bank	461 826	508 541
Short-term investments	6 791 160	10 066 945
	7 252 986	**10 575 486**
	42	169
	7 252 986	10 575 486
	7 253 028	**10 575 655**

18. Other income

Miscellaneous income	48 373	14 987
Tender document fees	11 522	55 000
	59 895	**69 987**

19. Impairment of assets

Impairments		
Property, plant and equipment An entity shall assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exits, the entity shall estimate the recoverable service amount of the asset. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairement loss Once it is determined that there is a potential impairment loss, a formal estimate of the recoverable service amount is to be made by the entity. The recoverable service amount is determined to be the higher of a non-cash generating assets fair value less costs to sell and it value in use. The value in use is the present value of the assets remaining service potential On inspection of the fixed asset register for the 2020 financial year it was noted that certain movable assets determined to be in an unfavourable condition for future use and were recorded at balances in terms of their carrying values in the fixed asset register that did not accurately reflect their recoverable service potential. These assets were assessed for impairement by comparing their carrying amounts as at 30 June 2020 to their estimated recoverable service potential amounts and an impairment loss was determined and recognised as per GRAP 21 requirements.	1 277 770	-
	1 277 770	-
	-	-

The recoverable service amount of the assets is its fair value less costs to sell, determined by reference to an active market.

20. Actuarial Gain / (Loss)

Gains or losses arising from employee benefit obligation	5 750 493	1 110 194
Gains or losses arising from long service awards	46 399	(234 815)
	5 796 892	**875 379**

Notes to the Annual Financial Statements

	2020	2019

21. Government grants and subsidies

	2020	2019
Equitable share	129 984 752	122 853 994
LG SETA Grant	-	122 600
Rural Road Asset Management Grant	2 259 000	2 133 000
Disaster Relief Grant	1 192 000	-
Finance Management Grant	1 000 000	1 000 000
	134 435 752	**126 109 594**

Equitable Share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

Municipal Infrastructure Grant

	2020	2019
Balance unspent at beginning of year	-	7 098 638
Conditions met - transferred to revenue	-	(7 098 638)
	-	-

Disaster Relief Grant

	2020	2019
Current-year receipts	1 192 000	-
Conditions met - transferred to revenue	(1 192 000)	-
	-	-

National Treasury made an allocation of R1 192 000 (one million one hundred and ninety two thousand rand) to the Waterberg District Municipality as a Disaster Relief specifically focusing on COVID19 activities

Finance Management Grant

	2020	2019
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

Tourism Grant

	2020	2019
Balance unspent at beginning of year	-	46 660
Other	-	(46 660)
	-	-

The tourism donation was incorrectly treated as a grant. It was initally a donation.

Expanded Public Works Incentive Grant

	2020	2019
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	-

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Notes to the Annual Financial Statements

	2020	2019

21. Government grants and subsidies (continued)

Rural Road Asset Management Grant

Balance unspent at beginning of year	579 090	-
Current-year receipts	2 133 000	2 133 000
Conditions met - transferred to revenue	(2 133 000)	(2 133 000)
Other	(579 090)	(579 090)
	-	**579 090**

The municipality applied for a rollover during the previous financial year, however it was decline and was deducted from equitable share

The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no.10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22. Transfers

Transfer	-	4 141 150

This is contributions from WEDA. Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019.One of the resolutions included transferring of WEDÁ's assets to Waterberg District Municipality's ownership.

	2020	2019

23. Employee related costs

Salaries and wages	62 822 887	47 951 619
Travel and other allowances	13 259 873	11 385 475
Contributions for UIF, pension and medical aid and other statutory contributions	19 378 082	23 879 858
Housing benefits and allowances	2 721 000	2 571 417
Overtime allowances	5 762 906	4 132 619
	103 944 748	**89 920 988**

Remuneration of Municipal Manager

Annual Remuneration	448 416	577 272
Car Allowance	99 794	287 058
Acting allowance	187 575	-
Contributions to UIF, Medical and Pension Funds	126 498	124 905
Other	150 446	216 839
	1 012 729	**1 206 074**

The Municipal Manager has resigned and his last working day was 31 December 2019

Remuneration of Chief Finance Officer

Annual Remuneration	348 859	1 213 901
Car Allowance	80 599	111 194
Acting allowance	2 401	-
Contributions to UIF, Medical and Pension Funds	80 040	1 785
Other	22 823	98 302
	534 722	**1 425 182**

The Chief Financial Officer was appointed in 01 December 2019

Remuneration of Manager: Infrastructure Development

Annual Remuneration	557 171	294 216
Car Allowance	134 167	93 688
Bonuses	47 433	-
Contributions to UIF, Medical and Pension Funds	132 801	48 829
Other	75 459	11 188
	947 031	**447 921**

The Infrastructure Development Manager was appointed in November 2018

Remuneration of Manager: Planning & Economic Development

Annual Remuneration	576 636	-
Car Allowance	134 167	109 809
Bonuses	49 020	-
Contributions to UIF, Medical and Pension Funds	123 023	-
Other	92 313	-
	975 159	**109 809**

.The Planning and Economic Development manager was employed for the year under review.

Remuneration of Manager: Corporate Support and Share Services

Annual Remuneration	722 074	598 556

Notes to the Annual Financial Statements

	2020	2019

23. Employee related costs (continued)

Car Allowance	170 020	109 941
Bonuses	60 580	-
Contributions to UIF, Medical and Pension Funds	161 782	104 363
Other	69 269	15 672
	1 183 725	**828 532**

The Manager Corporate Support and Share Services was appointed in November 2018..

Remuneration of Manager: Social Development and Community Services

Annual Remuneration	619 750	-
Car Allowance	122 987	128 513
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	51 052	-
Other	265 960	-
	1 059 749	**128 513**

The Manager Social Development and Community Services was appointed on 01 August 2019.

Remuneration of Manager: Executive Support Office

Annual Remuneration	608 349	565 802
Car Allowance	173 218	160 479
Bonuses	48 927	47 664
Contributions to UIF, Medical and Pension Funds	39 178	35 848
Other	328 395	443 332
	1 198 067	**1 253 125**

The Executive Support Manager was employed for the year under review.

24. Bad debt written off

Thabazimbi Local Municipality	2 000 000	-

During the 2018/19 financial year WDM paid Eskom on behalf of Thabazimbi Local Municipality and a debtor was raised. Council took a resolution in 2019/20 financial year to wrote off debt as per resolution number A275/2020.

25. Remuneration of councillors

Executive Major	941 120	833 693
Speaker	760 779	918 759
Mayoral Committee Members	3 236 381	3 012 275
Councillors	2 700 694	2 728 872
Councillorsï¿½ pension contribution	600 491	564 718
	8 239 465	**8 058 317**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and 3 other Mayoral Committee members are full time councillors. Each is provided with an office, tools of trade and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver.

Notes to the Annual Financial Statements

	2020	2019

26. Depreciation and amortisation

Property, plant and equipment	6 857 431	4 913 336
Intangible assets	221 946	195 690
	7 079 377	**5 109 026**

27. Contracted services

This is a funded mandate of Waterberg District Municipality which is performed by local Municipalities.

28. General expenses

Advertising	192 601	186 159
Annual report	63 844	9 932
Audit fees	2 472 491	2 738 752
Audit committee	226 965	352 578
Bank charges	41 482	41 951
Bursaries	52 390	73 815
Cleaning	192 530	266 532
Conferences and seminars- delegations	205 979	193 244
Contracted services	4 267 957	7 765 901
Consulting and professional fees	327 728	2 938 817
Consumables	422 041	373 004
Discretionary Bursary Fund	-	130 000
Employee Assistance Program	184 251	496 018
Entertainment	307 397	381 439
Environmental Health - awareness & sampling	-	58 371
Insurance	642 478	466 207
COVID - 19 expenditure	1 133 628	-
Long service award expenditure	192 554	706 369
Meat inspection	221 620	214 652
Post-retirement health care expenditure	4 259 631	3 666 484
Postage and courier	-	2 128
Miscellaneous expenditure	5 454	12 458
Motor vehicle expenses	760 768	613 138
Repairs and maintenance	3 376 269	3 561 893
Municipal account - water, rates & electricity	2 444 254	1 525 346
Printing and stationery	358 707	628 621
Programming	1 896 011	3 948 606
Protective clothing	568 808	409 884
Rental of buildings / offices	840 573	642 079
Tourism development	157 400	-
Rental of office equipment	688 396	17 660
Security cost	4 408 645	3 350 192
State Of The Nation Addres	-	220 650
Subscriptions and membership fees	2 290 554	1 235 110
Subscriptions and publication	2 257	10 400
Telephone and cell phone expenses	575 309	544 398
Training	352 407	339 659
Travel and subsistence	4 233 657	5 961 786
	38 367 036	**44 084 233**

Notes to the Annual Financial Statements

	2020	2019

29. Project expenditure

FMG - expenditure	402 008	443 662
Strategic planning	267 374	139 328
Project Management Corporate Job evaluation IN	-	180 774
National Planning WEDA	6 500	274 086
Maintenance of Unspecified Assets	-	2 669 225
Agricultural Development	145 250	-
Review of the Waterberg Disaster and Risk Management Plan	454 102	-
Humanitarian Relief Materials	590 024	-
LED Coordination	83 315	-
District IDP Public Participation Programme	1 194 494	1 726 004
Planning - Tourism INDABA	1 964 280	-
	5 107 347	**5 433 079**

30. Remuneration of Audit Committee members

3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The 3 year term of the audit committee was renewed from April 2018 to May 2021. Four meetings were held during the current year, but the chairperson also attended council meetings.

31. Cash generated from (used in) operations

Deficit	(17 889 015)	(9 904 680)
Adjustments for:		
Depreciation and amortisation	6 865 579	4 913 336
Amortisation	520 451	195 690
Bad debts written off	2 000 000	-
Increase in leave and bonus accrual	2 209 075	1 660 092
Movements in retirement benefit assets and liabilities	(2 219 854)	1 913 545
Increase in long service awards liability	104 697	619 149
Other non-cash items	(743 064)	(4 784 983)
Changes in working capital:		
Inventories	342 295	(1 338)
Decrease / (Increase) in receivables from non-exchange	5 161 491	(1 302 818)
Decrease / (Increase) receivables from exchange transactions	21 060	-
Decrease/(Increase) in VAT receivable	6 974 228	(2 405 527)
Decrease/(Increase) in unspent grant	-	(8 724 299)
Other payables (non exchange)	(1 485 221)	3 578 673
	1 861 722	**(14 243 160)**

32. Fruitless and wasteful expenditure

Opening balance as previously reported	-	29 683
Less: amount written off	-	(29 683)
Opening balance as restated	**-**	**-**
Add: Irregular Expenditure - current period	9 743	-
Less: Amounts reversed by local municipality	(7 598)	-
Less: Amount written off - current	(2 145)	-
Closing balance	**-**	**-**

	2020	2019

32. Fruitless and wasteful expenditure (continued)

The local municipality previously charged WDM interest incorrectly. It was resolved subsequent to year end and to correct by reversing the interest on the WDM account.. The interest was tabled to Council whereby it was reffered to MPAC for further investigation.

Special MPAC meeting was held to conclude the investigation conducted and after satisfying themselves with the outcome of the research conducted, the Committee resolved that fruitless and wasteful expenditure in this regard must be certified as irrecoverable and be written off by council.

Subsequent to year end Council wrote off irregular expenditure as recommendad by MPAC as per Council resolution A307/2020.

33. Irregular expenditure

	2020	2019
Opening balance	2 759 699	20 703 685
Add: Irregular Expenditure - current year	-	12 284 371
Opening balance as restated	**2 759 699**	**32 988 056**
Less: Amounts written off	-	(30 228 357)
Add: Irregular Expenditure - current period	2 754 946	-
Less: Amount written off - current	(2 754 946)	-
Closing balance	**2 759 699**	**2 759 699**

Analysis of expenditure awaiting investigation by Financial misconduct Board

Totals

Details of irregular expenditure - current year

Included in the current year irregular is an amount of R2 754 946 which relate to 2017 audit outcome. The reported irregular expendture of 2019/20 financial year of R2 754 946 which all relate to which continuing contracts which were found to be in contravention of the Municipality’s Supply Chain Management Policy during the 2017 financial year audit

The nature of the irregular expenditure as required by the SCM regulation is as follows:

As a result of not following Section 32 of MSCR	2 754 946	-

Amounts recoverable

The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA fo by Council for further investigation by MPAC

After the MPAC investigations, council adopted the MPAC recommendations not to recover the amount of from the municipal official as i continuing contracts which were found to be in contravention of the Municipality’s Supply Chain Management Policy during the 2017 fina

Subsequent to year end Council wrote off irregular expenditure as recommendad by MPAC as per Council resolution A307/2020.

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2020	2019
Opening balance	1 083 528	1 005 660
Current year subscription / fee	1 098 846	1 082 090
Amount paid - current year	(2 182 374)	(1 004 222)
	-	**1 083 528**

	2020	2019

34. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	2 472 491	2 738 752
Amount paid - current year	(2 472 491)	(2 738 752)
	-	-

UIF

Current year subscription / fee	596 461	551 121
Amount paid - current year	(596 461)	(551 121)
	-	-

PAYE

Current year subscription / fee	18 980 505	16 556 658
Amount paid - current year	(18 980 505)	(16 556 658)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 166 094	22 792 237
Amount paid - current year	(27 166 094)	(22 792 237)
	-	-

VAT

VAT receivable	801 808	4 172 955

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Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations, the Municipal Manager may dispense with the official procurement process in certain instances and ratify minor breaches. Any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:

Incident		
Deviations on goods and services less than R 30 000	260 306	17 444
Deviations on goods and services between R 30 000 and R 200 000	959 393	216 740
	1 219 699	**234 184**

Incident		
Urgent and emergency procurement	934 299	-
Limited bidding procurement	24 944	234 184
Organ of state	260 456	-
	1 219 699	**234 184**

	2020	2019

35. Commitments

Commitments are stated inclusive of VAT.

Authorised capital expenditure

	2020	2019
Already contracted for but not provided for		
• Property, plant and equipment	4 761 000	32 425 076
Total capital commitments		
Already contracted for but not provided for	4 761 000	32 425 076
Total commitments		
Total commitments		
Authorised capital expenditure	4 761 000	32 425 076

The capital commitments relates to capital projects and will be financed from grants received.

The municipality has entered into a 5 year contract with ABSA Bank for the provision of banking services commencing on 1 July 2015. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

36. Contingencies

The following are legal cases pending at year end and the potential liability thereof:

35.1 Contingent liabilities

	2020	2019
Mohale Incorporated - defend action against breach of contract Alleged contract breach with Limpopo Business Support Aagency (LIBSA) due to not meeting reporting requirement. An application for exception was granted in our favour.We await the applicant with the matter in this regard. The applicant has not taken any action since.	1 800 000	1 800 000
Khomotso Ledwaba - Serviced with combined summons for negligence Plaintiff claiming damages.	10 000 000	

35.2 Contingent assets .

	2020	2019
Waltkons -Suppliers failure to pay after services were rendered.Parties entered into a settlement agreement.	47 692	139 582

37. Related parties

Related party transactions

Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019.One of the resolutions included transferring of WEDÁ's assets to Waterberg District Municipality's ownership.

The district municipality provides support to the local municipalities in the district. Fire fighting is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

Key management personnel:
- Municipal Manager,
- Chief Financial Officer
- Manager: Infrastructure Development
- Manager: Planning & Economic Development
- Manager: Corporate Support & Share Services
- Manager: Social Development & Community Services &
- Manager: Executive Support Office

Municipal Councillors:
- Executive Mayor
- Speaker
- Mayoral Committee Members &
- Councillors

The district municipality provides support to the local municipalities in the district. Firefighting is a funded mandate of Waterberg District Municipality which is performed by local municipalities.The financial transaction between Waterberg District Municipality and Mogalakwena for the 2020 financial year is R with outstanding balance due of RXXX

38. Risk management

36.1 Financial risk management

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

36.2 Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	12 267 304	-	-	-
Consumer deposits	-	-	-	2 000

At 30 June 2019	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	9 913 614	-	-	2 000

36.3 Market risk

Notes to the Annual Financial Statements

	2020	2019

38. Risk management (continued)

36.3.1 Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

36.3.2 Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

36.3.3 Cash flow interest rate risk

The municipality’s interest rate risk arises from investments. Investments at variable rates expose the municipality to cash flow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

At year-end, financial instruments exposed to interest rate risk were as follows:

Financial instrument	**2020**	**2019**
ABSA Bank current account	4 491 640	3 090 340
Call deposits	18 000 000	17 013 857
60 Days fixed deposits	10 000 000	10 000 000
90 Days fixed deposits	-	20 000 000
182 Days fixed deposits	40 000 000	40 000 000

39. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 114 062 067 and that the municipality's total assets exceed its liabilities by R 56 338 323.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

40. Events after the reporting date

The Minister of Finance promulgated exceptions to Sections 126 (1) and (2), 127 (1) and (2), 129 (1) and 133 (2) of the MFMA per Government Gazette No. 43582 on 5 August 2020. Therefore, municipalities must comply within two months after the deadline in the applicable provision. Hence municipalities must only submit annual financial statements to the Auditor-General of South Africa on 31 October 2020.

The two-month extension and lockdown restrictions as a result of Covid-19 had no impact on debt collection or the ability to pay creditors as relief was provided to the municipality in the form of additional grants. The lockdown restriction however impacted the implementation of the projects

41. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year, however donated R 2000 000 to Thabazimbi Local Municipality as per Council resolution.

	2020	2019

42. Change in estimate

Property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate

In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications - par 57 (c) The asset is approaching the end of its previously expected useful life..

An entity should assess whether there is any indication that the expected useful life of the asset has changed based on whether the condition of the asset has improved or declined. This is based on any condition assessments undertaken by the entity on its assets during the reporting period.

The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. An entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. An entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

On inspection of the fixed asset register for the 2020 financial year it was noted that certain movable assets determined to still be in a reasonable condition for use were recorded at balances in terms of their carrying values in the fixed asset register that did not accurately reflect their value and use.As per the standard, the adjustment to these assets needs to be treated as a change in accounting estimate and has been applied by prospectively restating the financial statement figures from 01 July 2019 onwards.

43. Prior period errors

1.Service charges
Waterberg Abattoir facility is governed by Meat Safety Act of 2000 and therefore the municipality is required to collect levy on designated animals, red meat, red meat products, processed pork and hides and skins in terms of the Marketing of Agricultural Product Act of 1999. The levy is collected and paid to the South African Pork Producers Organization and Meat Statutory Measure services who are the juristic persons entrusted with the implementation of the Act by the Minister of Agriculture, Land reform and rural development. The levy is promulgated annually by the levy admistrators effective 01 November.

During 2018/19 audit, it was discovered that tariffs implemented in the year under review were not in line with tariffs approved by the Council with the Annual Budget in May 2018. Furthermore, the levies approved by the Council where also not in line with the rates promulgated by the Levy Administrators, however the levies implemented were line with those promulgated by the Minister.

The tariffs that were implemented in financial years 2017/18, 2018/19 and current year are the tariffs approved for the period 2015/16 financial years resulting in the understatement of the revenue for the periods referred above. There were no changes in the 2016/17 approved tariffs thus revenue realized in this period not impacted. Council took a resolution to write off the revenue loss.

43. Prior period errors (continued)

2. General expenditure
During 2018/19 financial year audit process it was discovered that there were some expenditure line items that were accounted for in the incorrect financial year. Accruals have been raised on the financial years where the expenditure were incurred to correct the error

3. VAT receivable
Based on the above general expenditure, VAT was also implicated and therefore adjustments were made in the correct period.

4. Cash and cash equivalent
Reconciling items in the 2019 financial year were discovered to be treated incorrectly. Reversals were done and was accounted for correctly.

5. Payables from exchange transactions
Based on cash and cash equivalent as well as general expenditure corrections, payables were implicated and amended accordingly

6. Depreciation
Depreciation calculations were incorrectly calculated for all asset categories and were corrected as a prior period error.

7. Property plant and equipmentl
In terms of GRAP 17, an entity is required to assess the useful lives, residual values and depreciation methods of assets at every reporting date. This is done by assessing at each reporting date whether there is any indication that the entity’s expectations about the useful lives and residual values of an asset have changed since the preceding reporting date.

Where an entity has fully depreciated assets because it did not appropriately apply the principles of GRAP 17, and as a result did not assess the useful lives or residual values of assets at previous reporting dates, any adjustment is treated as an error.

On inspection of the fixed asset register for the 2020 financial year, it was noted that certain movable assets that were determined to
be in a reasonable condition for use, were recorded at balances in terms of their carrying amounts that
did not accurately reflect their value and use.As per the standard, the adjustment to these assets needs to be treated as prior period error. The comparative figures of the previous financial period have been accordingly restated.

8. Remuneration of Councillors
Remuneration of Councillors were incorrectly calculated. The deductions were included as part of the cost to the Municipality.

9.Project expenditure
Retentions were incorrectly calculated and subsequent had an impact on Project expenditure

10. Unspent conditional grants and received
WDM received donations from it's local municipalities

11. Actuarial gain
During the preparation of 2020 financial statements an error was discovered relating to debtors. Due to the nature of the error, 2019 audited financial statements require to be reinstated to correctly carry forward actuarial gain and losses into 2020 financial statements.
The correction of the error(s) results in adjustments as follows:

Statement of financial performance	**Audited AFS**	**Restated AFS**	**Restatements**
General expenditure	47 392 451	44 084 233	(3 308 218)
Depreciation	5 083 208	5 109 026	25 818
Remuneration of Councillors	10 233 945	8 101 250	(2 132 695)
Actuarial gain	-	875 379	875 379

Notes to the Annual Financial Statements

	2020	2019

43. Prior period errors (continued)

Statement of financial position	Audited AFS	Restated AFS	Restatements
Cash and cash equivalent	88 703 683	91 200 034	2 496 351
VAT receivable	4 267 014	4 172 955	(94 059)
Payables from exchange transactions	12 652 366	9 913 614	2 738 752
Accumulated surplus	113 754 399	126 364 927	(11 820 215)
Property plant and equipment	69 911 189	76 058 942	6 147 753
Receivables from non-exchange transaction	5 243 890	5 660 859	416 969
Unspent conditional grants and received	114 581	134	114 447